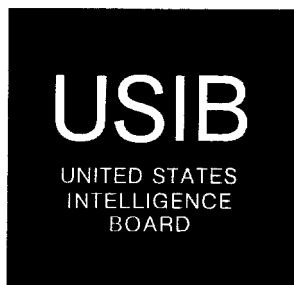


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State Dept. review completed

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PLO-EGYPT

PLO leaders, thrown off balance by President Sadat's uncharacteristically strong reaction to their policy statement of February 26 that condemned step-by-step negotiations, are moving cautiously to repair the damage to Palestinian-Egyptian relations. The Palestinians continue to be leery of another agreement between Egypt and Israel, however, and are continuing quiet efforts to marshal Arab support for their position.

A PLO spokesman said this week that Faruq Qaddumi, head of the PLO political department, will lead a Palestinian delegation to Cairo in the "near future" to meet with Egyptian Foreign Minister Fahmi. The group can be expected to minimize the importance of the offending PLO statement and argue that the Palestinians were condemning the US rather than Egypt.

The Palestinian radio station in Cairo has been directed to explain that the PLO was not attacking Egypt, and to refrain from criticizing the policies of Egypt or the other Arab states. On Monday, a Palestinian radiobroadcast from Cairo claimed that both sides had agreed to "contain the crisis, for the sake of Arab unity." A number of second-level Palestinian leaders have spoken candidly in public of the need for a return to normal relations with Egypt.

President Sadat, who will be with Secretary Kissinger in Aswan when the Palestinians are expected to arrive, will probably not meet personally with the delegation. Sadat has given no sign that he has backed down from his demands that the PLO either withdraw its policy statement or send the entire PLO executive committee to Egypt to meet with him to iron out Palestinian-Egyptian differences. The Qaddumi visit, however, will probably lead to a reduction of tensions and clear the way for a subsequent meeting between Sadat and PLO Chairman Yasir Arafat.

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So far, Arafat has avoided public comment on the contretemps with Egypt. He presumably believes that Palestinian dignity requires him to avoid a public apology to Egypt. He also believes he must protect his own position by denying his more radical colleagues the opportunity to brand him a collaborator in Sadat's dealings with the US. In addition, he may believe that the current hue and cry puts pressure on Sadat to keep Palestinian interests in mind as he moves toward another round of negotiations.

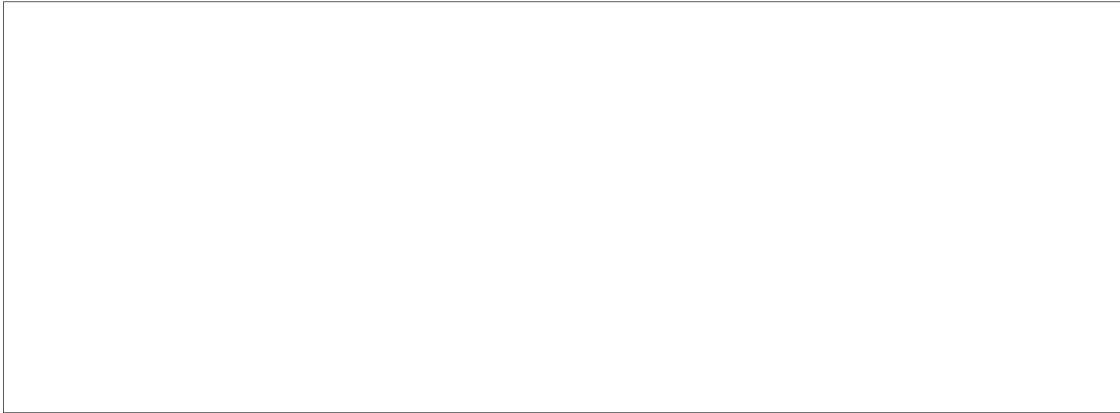
Arafat is suspicious of the step-by-step tactics favored by Sadat, but he still hopes the Egyptians can come up with something concrete for the Palestinians. Perhaps more important, he lacks any alternative strategy for making gains through negotiations.

Should the Egyptian efforts ultimately produce nothing for the Palestinians and they be excluded from the negotiating process, Arafat would probably speak out forcefully against any agreement with Israel and endorse an increase in fedayeen terrorism. The US embassy in Beirut considers that Arafat already has this option in mind. In the embassy's view, the Palestinians' recent criticism of Egypt and of the step-by-step negotiating approach is designed in large part to pave the way for Arafat's possible adoption soon of a more militant line.

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USSR

General Secretary Brezhnev's activities are beginning to pick up, after his long hospitalization and convalescence. On March 3 he met with Czechoslovak party boss Husak, attended a lunch in Husak's honor, and saw him off later at the airport. Husak, who was in Moscow for a one-day visit, is the first East European leader to confer with Brezhnev since Bulgarian party chief Zhivkov's visit to Moscow in mid-October.



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ETHIOPIA

The land reform program announced yesterday by the ruling military council is almost certain to arouse widespread rural unrest.

The basic provisions provide for the nationalization of all agricultural land and the transfer of the right to use the land to tenants who are currently cultivating it, up to a maximum of about 25 acres each. These landholders cannot sell or transfer any land, but their heirs are guaranteed the right to use it when the current holders die.

The government will pay compensation to the former landowner for any permanent improvements they made, but not for the land itself.

All contracts between landlords and tenants, including rental and debt agreements, were abolished. The use of hired labor on farms was banned. Large estates are to be state or communally operated but will temporarily retain their present management.

Powerful landowners, especially those already in arms against the military, can be expected to oppose the edict. In the northern provinces they will probably be joined by small farmers and peasants unwilling to accept the disruption of an ancient land-tenure system based mainly on communal ownership of tribal lands.

The reform program will probably be better received among landless peasants in southern Ethiopia, where the land-tenure system has been characterized by absentee landlordism and the ownership of large estates by privileged aristocrats. In this area, many peasants may try to seize land arbitrarily or kill landowners who resist the council's proclamation.

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In many cases, differences in tribal origins between landlords and peasants aggravate traditional animosities. Civil disturbances, caused by a resurgence of tribal hostilities and landlord-tenant tensions, have been a serious problem in the south for some time.

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Apparently looking for ways to improve administrative effectiveness, the council yesterday announced a major reshuffle in the civilian cabinet. The changes also are designed to remove several ministers appointed to serve under former prime minister Endalkatchew, who was among the 59 persons executed last November. Mikael Imru, a former prime minister who has been serving as information minister, was appointed political adviser to the chairman of the council.

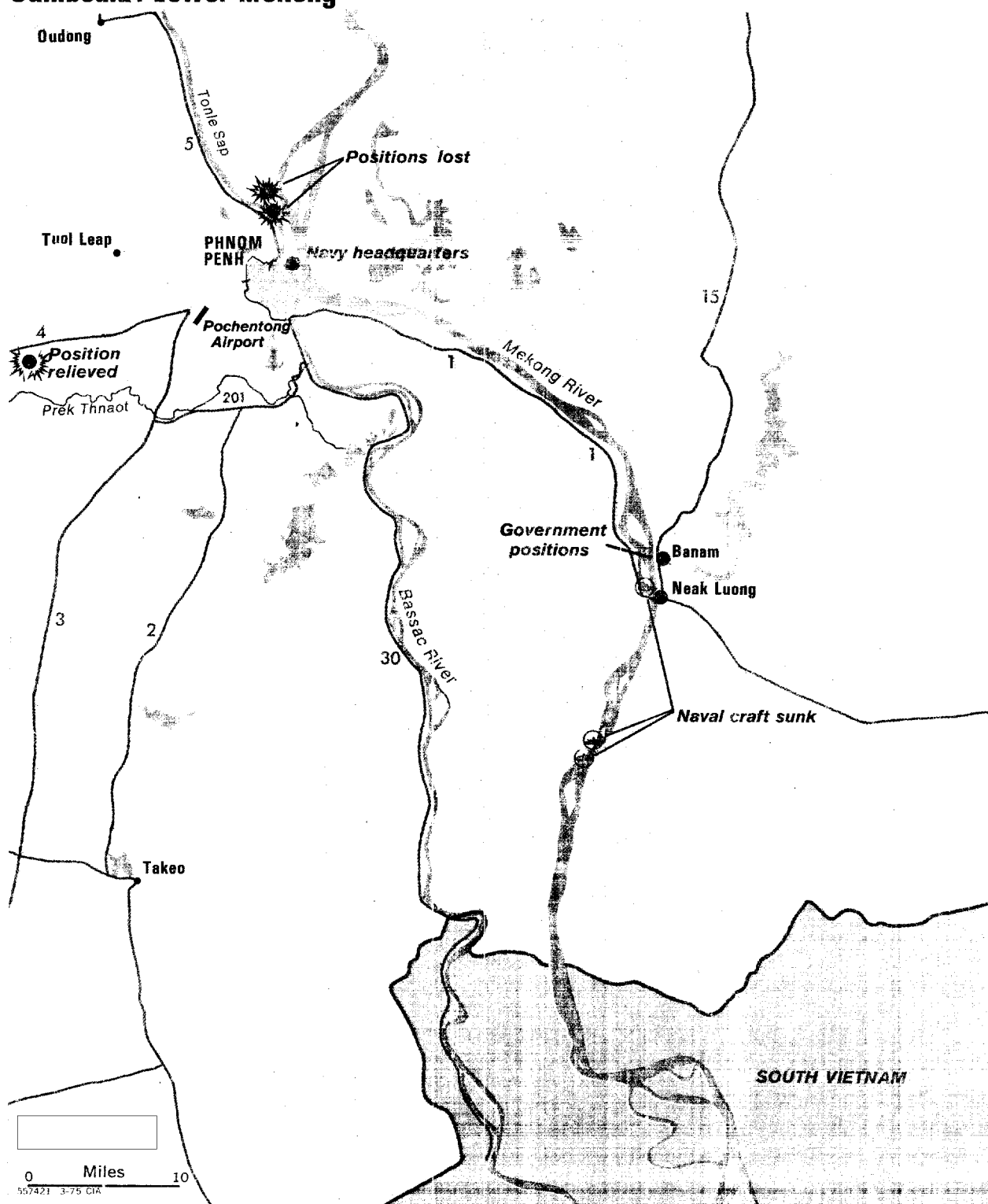
In Eritrea, government forces and rebel guerrillas have engaged in numerous firefights during the past three days.

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The US embassy received information on March 3 that both army and insurgent forces incurred heavy losses during fighting on the road between Asmara and Keren.

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Cambodia: Lower Mekong

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CAMBODIA

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[REDACTED]

In a press interview last week, Prince Sihanouk claimed that Hanoi had agreed to increase its deliveries in response to the US airlift to Phnom Penh. Sihanouk asserted that the agreement had been reached while he was in Hanoi in mid-February. [REDACTED]

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Government forces southwest of Phnom Penh have broken the Communist encirclement of a position near Route 4 and are preparing to resume their operation to retake the town of Tuol Leap. [REDACTED]

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Northeast of Phnom Penh, government units continue to give ground in the face of heavy Communist pressure. Two positions on the west bank of the Mekong have fallen so far this week, and the Communists have begun to mortar the navy headquarters from newly won territory on the east bank of the river.

Farther south on the Mekong, the Communists are keeping steady pressure on the Neak Luong naval base, which remains cut off from the nearby town of Banam. A resupply convoy reached Neak Luong from Phnom Penh yesterday, but the navy lost two landing craft along the lower reaches of the river, and a patrol boat was sunk near Neak Luong. [REDACTED]

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SPAIN

Spanish Prime Minister Arias has taken advantage of the resignation of his labor minister last week to reshuffle his cabinet. Yesterday he named five new ministers in an effort to remove cabinet obstruction to his liberalization program and to deal more effectively with pressing labor and economic problems.

By replacing National Movement Minister Jose Utrera Molina, secretary general of the official state party, Arias removes a principal opponent of his plan to break the Movement's monopoly by permitting the formation of political associations. This change may encourage applications from moderate political groups, which to date have been reluctant to apply because they believed they would not obtain the necessary authorization from the Movement.

The naming of Fernando Suarez Gonzalez, a supporter of liberalization, to be labor minister indicates that Arias has not given up on getting a limited right-to-strike law to ease labor unrest. The previous labor minister resigned to protest the inclusion of an anti-strike provision in the proposed labor law.

In agreeing to the cabinet changes, General Franco, who has always been reluctant to see new faces in the cabinet, especially during periods of unrest, was probably influenced by the need to give Arias a boost by removing obvious obstructionists. Nevertheless, so long as Franco remains active, Arias will feel pressure to take a hard line in dealing with unrest.

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EC-IEA

The principal issue facing the governing board of the International Energy Agency when it meets in Paris tomorrow is the US proposal for a minimum price for oil. The intended effect of this would be to encourage the consuming nations to reduce their dependence on imported oil by developing alternate sources of energy.

The efforts of the participants to reach agreement may be complicated by the inability of the EC to agree on a floor price of its own. The eight EC states that are members of the international agency--France is the holdout--would be reluctant to accept the obligations of a floor price for oil if France were not similarly bound and, as a result, might profit from deflated oil prices in the future.

The EC members of the international agency will also keep in mind that President Giscard on Sunday sent formal invitations to the EC states and nine others, including the US, to participate in a preparatory meeting on April 7 for a conference of oil producers and consumers. The EC states realize that progress in developing alternate sources of energy is a major requisite for US acceptance of a producer-consumer conference.

If the US were to reject Giscard's invitation as premature, the eight EC states would be placed in the uncomfortable position of having to side with the US or France. The eight faced a similar problem at the Washington energy conference a year ago and split with France, but since that time they have tried to strengthen EC ties and draw France into the work of the international agency.

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Many of the members of the international agency accept the principle of a floor price for oil, but there is no consensus on the level at which it should be set. Most of the EC members, as well as Japan, argue that a high price--near the present \$10-11 cost of oil--would favor the US and Canada. These states feel that a price between \$5 and \$6 a barrel would be more appropriate.

Even if the international agency reaches a satisfactory agreement on price levels, it will still have to decide on the modalities of participation in the producer-consumer meeting and how to meet the demand of some of the oil-producing states to expand the scope of the conference to include all raw materials.

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FRANCE - IVORY COAST

The US defense attaché in Abidjan reports that the French will hold a joint military exercise with Ivory Coast forces next week. The exercise calls for French forces to assist the Ivoiriens in suppressing a coup attempt.

President Houphouet-Boigny, now 70 and France's staunchest friend in Africa, has been in power since his country became independent in 1960. During that time he has seen most of his popularly elected colleagues in west Africa deposed by military coups. Since the overthrow early last year of Niger's civilian president, an old friend, Houphouet-Boigny has taken several measures to discourage plotting and disaffection in the Ivoirien military and has sought assurances that Paris would intervene on his behalf in the event of an attempt against him.

France, which periodically holds exercises with its former African colonies, last conducted one with the Ivory Coast in 1967. Such exercises represent one means by which Paris maintains close contact with those nations.

French participation in the exercise will include two intervention companies from the 1st Airborne Brigade headquartered at Toulouse. The aircraft carrier Clemenceau, returning from duty in the Indian Ocean, will provide tactical air support. Elements of the French 4th Marine Infantry Battalion stationed near Abidjan will also take part, along with elements of the Ivoirien army and gendarmerie.

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TURKEY

In the latest attempt to form a government, prime minister - designate Sadi Irmak appears to be facing the same problems that led to his failure to obtain a vote of confidence in his initial effort last November.

Irmak's announced intention again was to form a "national coalition" that would consist primarily of Turkey's two largest parties--former prime minister Ecevit's Republican People's Party and Suleyman Demirel's Justice Party. His hopes appear to have been dashed, however, when Demirel announced yesterday that his party would not participate.

Irmak will probably continue his negotiations with other political parties in an attempt to obtain enough support to win a vote of confidence. His most promising prospect appears to be a coalition that would include Ecevit's party and the conservative Democratic Party, plus a few independents.

Ecevit's initial reaction to Irmak's redesignation last weekend was favorable. Willingness to allow his party to participate in a coalition, however, would probably be conditional on Irmak's commitment to early elections. This could prove troublesome for the Democrats. Earlier efforts to link Ecevit's party and the Democrats in a coalition have foundered on Ecevit's demand for elections no later than this summer and on some serious personal differences that have threatened to split the Democratic Party.

Nonetheless, the Democratic Party reacted favorably to Irmak's initial announcement and may find it easier to join a coalition with the Republican Peoples Party if Ecevit himself is not participating in the government. If Irmak could count on the support of all those who have shown interest, he would have five more votes in the National Assembly than the 226 needed for a majority. Crucial to this formula would be the Democrats' ability to prevent a split in their party.

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Such a split would give Demirel's four-party "nationalist coalition" a bare majority. It is in the hope that his rightist coalition might still come to power that Demirel rejected Irmak's offer.

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Should Irmak fail in this attempt to break the political impasse--now in its sixth month--he could continue in his role as caretaker for the time being. It is not clear what new move Koruturk might make in that event, but his prestige would clearly suffer in the wake of another failure. One newspaper in Ankara has suggested that if a new government is not formed by March 6, Koruturk may resort to his ultimate weapon--resignation.

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FOR THE RECORD

Greece: In reaction to the abortive coup last week, the Greek government yesterday announced a major shake-up of the army. Twenty generals were retired, while 17 high-ranking officers who had been dismissed from the army during the seven years of military rule were recalled to active duty. Three other officers who reportedly warned the government of the coup plot have been promoted to high posts, according to press reports. A government announcement indicated that more changes will be made today.

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Colombia-Cuba: Colombia's Foreign Minister Lievano has announced that his country will resume diplomatic relations with Cuba tomorrow. Ties with Cuba had been broken in 1961. The move caps a process that began with the signing of an anti-hijacking agreement last summer. Colombia becomes the 12th Western Hemisphere nation to have diplomatic ties with the Castro government.

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